

Message Text

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ACTION EA-09

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FM AMEMBASSY MANILA
TO SECSTATE WASHDC 2590

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E.O. 11652: N/A

TAGS: EAGR,RP

SUBJ: SUGARLANDS MAY BE PLACED UNDER LAND REFORM

1. PRESIDENT MARCOS ANNOUNCED THAT THE GOVERNMENT IS CONSIDERING PLACING SUGARLANDS UNDER THE LAND REFORM PROGRAM WHICH WOULD QUOTE "ABOLISH THE TENANCY SYSTEM AND PERSUADE LANDOWNERS TO SELL THEIR LANDS TO THOSE WHO WILL TILL THEIR FIELDS." UNQUOTE. THE PRESIDENT STATED THAT HE FELT THE SUGAR INDUSTRY WOULD NOT PROSPER UNDER THE TENANCY SYSTEM.

2. COMMENT - IT IS DIFFICULT TO DETERMINE WHY THE GOVERNMENT WOULD EVEN CONSIDER SUCH AN ACT. TENANCY IS NOT A PROBLEM IN THE SUGAR INDUSTRY, AND IS ONLY PREVALENT IN CENTRAL LUZON WHICH PRODUCES LESS THAN 10PERCENT OF ALL PHILIPPINE SUGARCANE. LAND REFORM WOULD SIGNIFICANTLY REDUCE PRODUCTION BECAUSE OF THE FRAGMENTATION OF FARMS. IF THIS IS THE GOVERNMENT'S INTENT, THERE ARE OTHER ALTERNATIVES WHICH WOULD NOT HAVE SUCH AN ADVERSE EFFECT ON THE INDUSTRY.

ONE KNOWLEDGEABLE TRADE CONTACT ACCURATELY STATES THAT LAND REFORM WOULD CAUSE THE DEATH OF THE PHILIPPINE SUGAR INDUSTRY. AT THE CURRENT PRICE, MOST OF THE SUGARCANE FARMS UNDER 50 HECTARES ARE OPERATING BELOW THE BREAK-EVEN POINT. DIVIDING LARGE HACIENDAS INTO SMALLER PRODUCTION UNITS

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WOULD LOWER YIELDS SUBSTANTIALLY AND INCREASE THE COST OF PRODUCTION. SUGARCANE HARVESTED FROM SMALL OR MARGINAL PRODUCERS IS GENERALLY LOWER IN PURITY AND HARDER TO MILL.

LAND REFORM FOR SUGARLANDS IS NOT EXPECTED TO BECOME EFFECTIVE BECAUSE THE ADVERSE EFFECTS OF SUCH A PROGRAM ARE WIDELY KNOWN THROUGHOUT THE INDUSTRY. TRADE CONTACTS

BELIEVE THAT COMMISSIONER BENEDICTO WILL CERTAINLY ADVISE THE PRESIDENT AGAINST SUCH A POLICY. (BENEDICTO IS CURRENTLY IN LONDON ATTENDING THE ISA TALKS). THE FACT THAT THE PRESIDENT MADE A VERY LIMITED STATEMENT ON THE SUBJECT AND WOULD NOT DISCUSS IT FURTHER COULD ALSO INDICATE THAT THIS IS NOT A SERIOUS CONSIDERATION.

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